
Report to Audit & Finance Committee

Date of Meeting: 15 September 2016

Subject: Social Services Finance Report

Report by: Asst Head of Social Services and Depute Chief Executive

1.0 Purpose

- 1.1. This paper provides an update on the financial performance of Social Services to date. This report focuses on revenue spend for the current financial year, 2016/17. Projected outturns up to March 2017 are set out in the report.

2.0 Recommendations

- 2.1. The Committee is asked to:
- 2.2. note the Social Services projected overspend of £3.953m and the key reasons for this position (paragraph 3.2)
- 2.3. note the key pressures in Child and Adult Care services which contribute to the overspend forecast (sections 4 and 5 respectively)
- 2.4. approve the Child Care External Placements provider uplift request from Seamab and refer to Council for appropriate governance
- 2.5. note and endorse the Depute Chief Executive's interim proposals for improvement detailed in Section 6.
- 2.6. Refer to Council for decision the creation of the £2 million Earmarked Reserve for Social Services in 2016/17 (paragraph 6.4)
- 2.7. endorse the recovery plan which aims to minimise the level of forecast overspend in 2016/17 (Appendix 2).

3.0 Background

- 3.1. The Social Services budget continues to be under considerable pressure. This is in line with a widespread trend across Scottish local government and one which has been widely reported. It has been suggested at a national level for some time that these demographic pressures are likely to result in councils' expenditure on providing social services to consume an ever-

increasing share of our total expenditure in coming years. On this basis, it is important that councils continue to look for new models of delivering Social Services which continue to meet statutory responsibilities in the most efficient and cost effective manner.

3.2. The service is projecting a Revenue budget overspend of £3.953K (See Appendix 1 for detailed breakdown). The most significant factors contributing to this position are:

- **Ongoing childcare pressures:** whilst the Service has delivered a 31% reduction in the cost of external childcare placements since April 2016, there remains a significant pressure on this budgeted expenditure. External Foster Care for Looked After Children and the associated transport costs also remain areas of pressure. Additionally, during the year increases in provider rates above the levels assumed for budgeting purposes further contribute to the overspend position
- **Adult care pressures:** The service is experiencing an increase in activity in Long Term Placements and Care at Home which is attributed to demographic pressure. Alongside this, implementation of the Living Wage is above levels anticipated at the time the Budget was set. A Budget adjustment is also required to align Scottish Living Wage income and expenditure.
- **Delivery of 2016/17 savings:** When the 2016/17 Budget was approved along with its associated approved savings, all service budgets were adjusted to reflect this position (i.e. budgets were reduced accordingly in all services). This means that where savings are not achievable in the year, an overspend occurs. Recent information provided to elected members indicates that the highest level of unachievable savings have been identified within Social Services. These savings are spread across the range of Social Services delivery but the greatest concentration is found in Adult Care.

Further detail on the issues summarised above is set out below.

4.0 Child Care

External Placements

- 4.1 Child Care External Placements has a projected overspend of £1.041m. This relates to ongoing placements from prior years which are currently being reviewed by the Service.
- 4.2 This is a reduction of 31% on the 2015/16 out-turn position. Social Services and Education Managers continue to meet on a fortnightly basis to monitor and review External Placements to ensure that there is a rigorous and joint governance process in place.
- 4.3 The Children's Hearing has ultimate decision-making responsibility in relation to a child's residence. Financial pressures continue to arise where, on

occasion, there are differences between the recommendations made by the Service and the decisions taken by the Children's Hearings.

- 4.4 It has been recognised that the process in place for approving ad hoc provider uplifts throughout the financial year can be improved to better align with the budget setting process. A consequence of the historic approach is set out at paragraph 4.5. This situation has resulted in the need to request additional governance outwith the Budget setting process where a provider fee increase is above the level assumed.
- 4.5 Seamab is an education and residential care provider which is not within the Scotland Excel Children's Residential Framework. This provider has requested a 12.48% rate uplift compared with the 1% uplift assumed within the Budget. The Provider has provided their financial accounts which have been reviewed by the Social Services Accountant and which support the position reported by the Provider: the level of uplift reflects a more accurate cost of a child's placement and will minimise the need for the Provider to continue to draw on its reserves to meet its budgeted expenditure in the future. The service has sought to negotiate a reduction with the Provider but this has not been successful. The fee rate would mean that the Provider would be around the median rate for the range of Providers the Service currently uses. The Service is seeking governance from elected members to agree to the Seamab uplift request.
- 4.6 The Social Services Planning and Commissioning Team have been working with Finance to implement a revised process for the future. The new arrangements will require providers to submit their uplift requests at the start of the Council budget setting process. This will ensure that the Service has adequate information to quantify a more accurate demand pressure bid. It will also mean that providers will be informed of their approved uplift when the Council budget is set in February allowing them to manage their budgets more effectively.

Looked After Children

- 4.7 Looked After Children has a projected overspend of £114k. This is made up of £249k overspend within External Foster Care Placements and is partially offset by underspends within Internal Foster Care (£77k) and Kinship Care (£58k).
- 4.8 The level of Looked After Children also has an impact on the Transport of Clients budget which is currently projecting £77k overspend. This is a reflection of the number of children accommodated in Foster Care placements outwith the Local Authority. The overspend relates to the cost of transporting children to school by taxi as well as to contact arrangements for children following decisions from children's hearings. The Service is currently undertaking a review of the use of External Foster Care Placements.
- 4.9 The Child Care Service has also experienced a high level of staff turnover and as a result has used agency workers to maintain staffing levels, in particular to meet statutory staffing ratios. Although recruitment is ongoing and the level of agency workers has reduced, their use is still required to

support the transition of newly qualified personnel. This has resulted in a projected overspend of £32k in 2016/17.

- 4.10 Throughcare Aftercare (TCAC) is reporting a £50k underspend on payments to individuals. This is based on the current level of young adults who are receiving support from the Service.

5.0 Adult Care Service

- 5.1 The Adult Care Service is projecting an overspend of £2.656m. This relates to increased activity in Long Term Placements and Care at Home as a result of demographic growth pressures, savings put forward by the Service that are no longer achievable and the effect of the Scottish Living Wage being introduced 1 October 2016.
- 5.2 Whilst the Service invested considerable effort in managing emerging pressures during the year, there was an increase in the levels of care being provided in the last quarter of financial year 2015/16. The full year effect of this has resulted in a projected overspend for Care at Home and Long Term Placements of £850k and £554k respectively.
- 5.3 The Care at Home overspend includes the Review of High Value Care Packages saving (MCB001) of £214k which won't be achieved this financial year.
- 5.4 In addition to the Review of High Value Care Packages, there were other MCB savings put forward by Adult Services that will not be achieved during 2016/17. The impact on the overspend is £511k.
- 5.5 The Scottish Government made £250m funding available in 2016/17 to Integrated Joint Boards to help the partnerships establish new ways of working. The funding available for Clackmannanshire is £2.39m. As a consequence of the Budget setting process, income of £2.23 million has been applied to the Service Budget. Discussions are currently being taken forward with the Integration Chief Officer to allocate the remaining £160k to fund the additional unanticipated growth. An additional budget adjustment is required to ensure that the income is aligned with the planned expenditure on Scottish Living Wage.
- 5.6 One of the conditions of the offer is that Local Authorities use the funding to support private and third sector providers to pay their social care workers the Living Wage with the aim of improving the quality of social care.
- 5.7 The condition also assumed that providers will meet their share of the costs. This is a pressure that some providers have indicated that they are unable to sustain. As a result, the Service has received uplift requests from providers that were greater than that anticipated in the budget setting process. This situation is consistent with the position across Scotland and planned discussions between the Scottish Government and COSLA are to include the potential for funding the full year costs of implementing the Scottish Living Wage as part of the 2017/18 local government settlement negotiations.
- 5.8 The increased levels of care being provided by the Service along with the in year provider uplift results in a projected overspend of £741k relating to

provider rates. This had previously been flagged as an emerging pressure at the Member Briefing in August 2016.

- 5.9 The Service recognises that the current levels of activity are unsustainable and are looking at ways to control the commissioning process more effectively.

6.0 Management Action

- 6.1 Given the significant turnover in the Service's senior management, the Depute Chief Executive has provided additional support in the preparation of this report, particularly in respect of the budgeting, financial management, reporting and governance considerations of the forecast position and its underlying pressures. This section sets out the Depute Chief Executive's interim proposals for improvement that include specific matters which require Committee endorsement and Council approval.

- 6.2 In 2015/16, when an overspend was forecast by Social Services, an action plan was developed and implemented which resulted in a 42% reduction in the forecast overspend position by 31st March 2016. Early and targeted action, therefore, has the potential to deliver a significant and positive improvement in the position by the year end.

- 6.3 The Depute Chief Executive has set out the following interim proposals which she has indicated seek to strike an appropriate balance between challenging the service to deliver an improvement in the current forecast position and being realistic and supportive of the Service in the face of the pressures outlined in the previous sections of the report. It is also intended that early discussions will take place with the new Head of Social Work when she joins the Council in October to take forward any additional activity that may further improve the current position.

- 6.4 The key proposals are as follows:

- The creation of an earmarked reserve of £2 million for Social Service pressures which is funded from General Fund uncommitted reserves in 2016/17. This can be applied to future outturn reports, however will not be allocated to the Service Budget as further work is required to quantify and confirm trends in demand (see below). It is clear that Living Wage/ Scottish Living Wage pressures should, however, be prioritised as failure to deliver on the Scottish Government commitment has the potential to result in the loss of the Council's £2.39 million share of HSCI funding. It is also assumed that the Seamab fee placement request, if approved, would be subsumed within this sum
- Forecasts are currently made on the basis of an extrapolation of current activity levels rather than historic trends in demand. Work needs to be undertaken to build on the trend analysis built up in undertaking the Zero Based Budgeting (ZBB) exercise to establish a systematic arrangement to support the accuracy of budget profiling and forecasting, improve the basis of service planning assumptions and priorities and support the Service's decision making in respect of demographic pressures. As part of the exercise the Service should also consider the adequacy of its

current information systems to provide reliable activity and trend data, including to support reporting to management and elected members. The exercise should be conducted for all aspects of service delivery

- Once reliable trend data is available this should be used to establish the Service's future budget requirement. Additionally, the information should be used to ensure that the corporate forecast of the indicative funding gap is as robust as possible
- A robust recovery plan should be developed which focuses on reducing the 2016/17 overspend and /or increasing savings. Challenging improvement targets should be set and improvement actions allocated and prioritised by Service Management. It is suggested that the Social Work Business Manager's time is prioritised in respect of the coordination of action plan activity and providing monitoring information and progress reports for management and elected members. Activity should also be co-ordinated with the Corporate Change Programme co-ordinator
- Work should be undertaken to benchmark Social Service's financial performance with other councils. A particular focus should be to look at relative funding levels and financial performance to allow the Council to consider the financial capacity for efficiencies in future years when set against continuing financial pressures in the Service. This activity could be considered within the scope of the Scrutiny Committee review if members view this as complementary to its work
- The Service should identify any resource requirements arising from the establishment of the recovery plan. Depending on the nature of resource required, work can be reprioritised within the Council, appropriate governance sought for Spend to Save or Council approval sought where additional resource is required
- The Council's Corporate Management Team has agreed to provide support to lead appropriate, significant improvement activity to improve on the current forecast outturn for 2016/17. Recently, one Head of Service has been asked to provide support to increase the pace and momentum around the delivery of the Children's Residential Unit which has the potential to reduce the amount the Council currently spends on external child care placements. Alongside this, other initiatives are being reviewed by the Assistant Heads of Service to identify those which would also benefit from such support
- Subject to the endorsement of the new Head of Social Work, a Business Case should be prepared by the Service in conjunction with the Head of Housing, Revenues and Community Service and the Corporate Change Co-ordinator to propose a systematic review of all aspects of service delivery using the Vanguard approach (or other similar option). A timetable and full costings should be established for a rolling programme of change reviews within the service to support the redesign and restructuring of the Service
- Spend to Save to be used to resource a fixed term Home Care resource manager to oversee Older People's budget management and to build capacity in the service for the future

- Additional transitional Accountancy assistant support to be provided to support the Service Accountant in managing additional work associated with the recovery plan and Business Case development
- Service financial performance reports should continue to be provided to each meeting of the Audit and Finance Committee and set out updates on progress with the delivery of the recovery plan and the associated impact on the forecast outturn position.

6.5 Having considered the above proposals, a draft recovery plan has been prepared by the Service and this is attached at Appendix 2. It is intended that this will be kept under regular review and new actions added if they are likely to secure improved performance. It should be considered alongside the actions highlighted in paragraph 6.4. There is clearly a blend of immediate priority actions which seek to provide an improvement in the current financial year, alongside medium to longer term redesign and restructuring considerations. The Service Management Team is currently reviewing all activity to identify those areas where additional corporate support and reprioritisation is required to deliver an improvement on the current position. Elected members will be kept up to date with progress through regular Financial Performance reports to the Audit and Finance Committee.

7.0 Sustainability Implications

7.1 None

8.0 Resource Implications

8.1 Financial Details

8.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

8.3 Finance have been consulted and have agreed the financial implications as set out in the report. Yes

8.4 Staffing

8.5 None

9.0 Exempt Reports

9.1 Is this report exempt? Yes (please detail the reasons for exemption below) No

10.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

11.0 Our Priorities (Please double click on the check box)

- 11.1 The area has a positive image and attracts people and businesses
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment
- Our communities are safer
- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

12.0 Council Policies (Please detail)

13.0 Equalities Impact

- 14.0 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations? No

15.0 Legality

- 16.0 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

17.0 Appendices

18.0 Please list any appendices attached to this report. If there are no appendices, please state "none".

- 18.1 Appendix 1 – Social Services Revenue Budget
- 18.2 Appendix 2 - Social Services Recovery Plan



19.0 Background Papers

- 20.0 **Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)** No

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Appendix one

Table 1 - Revenue Expenditure

Service	Annual Budget 2016/17	Projected Outturn to 31/03/17	Variance Outturn V Budget
	£000	£000	£000
Mental Health & Learning Disability	5,731	6,986	1,256
Elderly & Physical Disability Care	3,587	4,374	787
Adult Provision	3,913	4,526	613
Adult Management	(284)	(284)	0
Adults	12,946	15,602	2,656
Child Care Resourcing	4,552	4,741	189
Child Care Support	2,206	2,257	51
Early Years & Families	1,620	1,636	16
Child Care	8,378	8,634	256
Residential Schools	3,000	4,041	1,041
Criminal & Youth Justice Services	191	191	0
Strategy 503		503	0
Social Services Management Support	385	385	0
Total Revenue	25,403	29,356	3,953

Social Services Financial Management Action Plan Updated

Aims

1. to show the specific actions taken by senior managers across Social Services to address specific financial concerns raised by elected members.
2. to promote open, accountable, and effective financial practices.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
1. Transitions 16/17	Analysis of costs/effects associated with transitions	Assistant Heads of Service, Service Managers, Business Manager and Finance	April 17	Ongoing	Full year costs and projections are to be monitored in relation to children and adult services. This will allow budgets to be monitored more closely.
2. Outstanding debts for services received.	Review charging policy, processes, and levels of performance.	Service Managers, Team Leaders, Service Accountants	April 17	Ongoing	Closely monitor the implementation of the charging policy and financial income . This will be an audit exercise which will support the service to increase revenues over the rest of 16/17

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
3. Review and monitor expected income levels for financial planning from ICF, Discharge funding, Scottish Government	A review and monitoring of expected and received funding across all areas of the business	Assistant Head of Service (Adults)	April 17	Ongoing	As above
4. Review of all Care packages and targeting overnight living carers allowances.	Reviewing officers in post to review high cost care packages.	Assistant Head of Service – Adults.	31 st December 2016	Ongoing	All cases subject to review in order to reduce service activity while maintaining care packages at safe and financially sustainable levels.
5. The need for payment for external placements with independent fostering agencies.	Increase recruitment of Foster Carers to offset dependency. New Targets set for 16/17	Assistant Head of Service, Service Manager & Adoption and Fostering Team Leader	April 17	Ongoing	To build on 15/16 targets which were achieved which will reduce the need for external placements
6. Financial accounting to Social Services budgets.	Monthly detailed analysis ensuring charges are attributed correctly to Social Services	Assistant Heads of Service and Finance	April 17	Ongoing	Increased scrutiny which will result in ensuring budgets are aligned correctly.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
	budgets.				
7. Certify financial monitoring by senior managers.	Monthly budgetary meetings by senior managers and Finance.	Assistant Heads of Service and Finance	April 17	Ongoing	Senior Managers will ensure financial regulations and governance procedures are in place.
8. Safeguard finance systems to service activities for financial projections	a) Review of current IT systems. Options appraisal to purchase and test new system meets business needs b) Rollout management training for managers and budget holders.	Chief Finance Officer & Head of Social Services	April 17	Ongoing	Closer financial monitoring.
9. Financial share of overspends between Education and Social Service.	Discussions have taken place between assistant heads of each service to agree percentage shares into next financial year.	Head of Service	April 17	Ongoing	Future apportionments of financial costs correctly aligned between Education and Social Services

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
10. Contain spending by front line staff.	Review current controls and authorisations controls for front line staff and implement reductions.	Service Managers & Finance	April 17	Ongoing	Schemes of delegation appropriately managed.
11. Renewed focus on budgetary pressures and any changes in demand for service	Complete a detailed review of the needs of the service following the end of shared services first phase in Childcare, then Adult Services. Identifying demands and resource needs	Assistant Heads Children and Adult Services and Business Manager.	April 17	Ongoing	Increased awareness of demographic trends and service demands to inform future financial planning.
12. Review of cross charging arrangements following the end of shared services.	Review of current cross charging arrangements and that appropriate actions are taken to ensure end dates are correctly accounted for.	Assistant Heads of Service	April 17	Ongoing	
13. Develop Supported carers policy and recruit	A short life working group will develop a new supporting	Service Managers & Team Managers	April 17	Ongoing	This work will support the Children (Scotland) Act 2014. Spend to save authorised of 97K.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
carers to meet legislative responsibilities for young people who require continuing care.	carers policy and strategy to recruit carers. This will inform business case.				Aim is to reduce high cost external placements by providing a supported carer within local community
14. Review variations in uplifts of existing contracts.	A short life working group established to review and analyse anomalies across contracts	Procurement Manager and Assistant Heads of Service	April 17	Ongoing	Review of spend for Scotland Excel placements will continue and annual uplift arrangements will fit in with annual budget setting process 16/17
15. Update eligibility criteria policy for adult services which meets statutory responsibilities.	A review of current eligibility criteria under SDS legislation will be presented to Committee for implementation.	Assistant Head of Adult Services	October 16	Ongoing	This will ensure consistency of assessment criteria applied to all service users across Clackmannanshire.
16. To identify further management savings and revise financial planning assumptions	Senior Managers across all service areas asked to review projects for further efficiency savings as part of MCB process 16/17.	Assistant Heads of Service	April 17	Ongoing	Transformation Board overseeing governance of projects and business cases agreed by council budget setting.
17. Workforce planning review	A robust review of the current trends, demands for both	New Head of Service	April 17	Ongoing	This will ensure that the needs of vulnerable children, young people and adults are fully resourced.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
	adult and children's services.				This will identify and inform a service redesign which will ensure the changing needs of Social Services clients are met.
18. Ensure Assessment and Care Management procedures are robust	Update assessment & care management procedures to focus on appropriate intervention, managing risk and focussing on managing care packages via reviews.	Assistant Head of Services	October 2016	Ongoing	Managing risk whilst ensuring legislation responsibilities are met.
19. Ensure the effective management of Social Services resources	Review resource panel as per the committee report with a move to recruiting a temporary manager for the remainder of the financial year.: Recruit by.	Assistant Head of Service Adults	October 16	Ongoing	Focus will be to work full time on the management of resources, provide operational management to the Business Support Team, provide training to Social Work and Community Nursing staff on risk thresholds and developing appropriate care packages in line with minimum intervention